

## Message Text

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ACTION AID-59

INFO OCT-01 EA-11 ISO-00 SSO-00 NSCE-00 USIE-00 AGR-20

IGA-02 EB-11 L-03 CIAE-00 INR-10 NSAE-00 RSC-01

INRE-00 SS-15 NSC-10 DODE-00 PRS-01 PA-03 COME-00

TRSE-00 SR-02 ORM-03 IO-13 DRC-01 /166 W

----- 112718

O 171140Z SEP 73

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC IMMEDIATE 7155

C O N F I D E N T I A L SECTION 1 OF 2 SAIGON 16528

E.O. 11652: GDS

TAGS: EAGR, VS

SUBJECT: RICE

PASS TO AMBASSADOR MARTIN

REF: (A) STATE 183803

(B) SAIGON 16461

(C) SAIGON 16036

1. SUMMARY. VIETNAM'S STOCK POSITION IS EXCEEDINGLY TIGHT AND WE THINK THE NEED FOR 70,000 MT OF IMPORTS BEFORE THE END OF DECEMBER IS CLEAR. GVN PRICES RELATIVE TO THOSE IN OTHER PARTS OF SE ASIA ARE HIGH AND PRODUCTION INCENTIVES ARE LARGE. WITH INFLATION OF 48 PERCENT IN THE PAST YEAR, WE DOUBLT THAT RICE CAN BE RATIONED THROUGH INCREASED PRICES AND SOME FORMS OF DIRECT RATIONING WILL BE NECESSARY IF IMPORTS ARE NOT AVAILABLE. THE POLITICAL CONSEQUENCES OF A RICE SHORTAGE IN VIETNAM ARE SERIOUS. POPULAR SUPPORT FOR THE GVN COULD BE DANGEROUSLY UNDERMINED. WE NEED ASSURANCE NOW OF AVAILABILITY BY YEAR END OF US OR OTHER SOURCE RICE IN ORDER TO ADVISE GVN AND FOR THEM TO TAKE APPROPRIATE POLICY ACTIONS. END SUMMARY.

2. ALL RELIABLE SOURCES OF INFORMATION IN VIETNAM CONTINUE TO  
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CONFIRM MISSION ESTIMATE OF TIGHT SUPPLY SITUATION. MISSION HAS

BEEN REPORTING VIETNAM STOCK SITUATION MONTH BY MONTH AS TIGHT AND EMPHASIZING CRITICAL NEED FOR EARLIEST POSSIBLE PL-480 ADDITIONAL DELIVERY.

3. STOCK PROJECTIONS IN REF C ILLUSTRATE THE NEED FOR MORE RICE IN VIETNAM. DELTA DELIVERY FIGURES ARE BASED ON AVAILABILITY OF 154,100 MT AUGUST THROUGH DECEMBER. THIS QUESTION OF DELTA AVAILABILITY IS AT THE HEART OF THE MATTER. AFTER VIGOROUS EFFORTS TO VERIFY TRUE AVAILABILITY, WE BELIEVE FIGURE GIVEN IS BEST ASSESSMENT OF ACTUAL SITUATION. HIGH AUGUST DELTA DELIVERIES AND EXPECTED HIGH SEPTEMBER DELIVERIES ARE DIRECT RESULT OF VERY FORCEFUL GVN PRESSURE ON MERCHANTS TO DELIVER. THESE AMOUNTS MUST COME FROM TOTAL AVAILABILITY ESTIMATED AT 150,000 TO 155,000 MT INCLUDING NEW CROP. CURRENT DELIVERIES TO MOE ARE MORE THAN 50 PERCENT NEW RICE. WE HAVE OBTAINED COPY OF A RECENT GVN SURVEY OF DELTA STOCK ORDERED BY PALACE AUTHORITIES AND DELIVERED DIRECTLY TO THE PALACE, WHICH HAS NOT BEEN PUBLICLY RELEASED. THIS SURVEY TENDS AGAIN TO CONFIRM MISSION ESTIMATE OF DELTA SUPPLY SITUATION. IN FACT, IT SHOWED A DEFICIT FOR THE DELTA ITSELF BEFORE END OF DECEMBER.

4. 68,000 MT MONTHLY DRAWDOWN FIGURE AS PER PARA 4, REF A IS ESTIMATED NORMAL MONTHLY DISAPPEARANCE FOR SAIGON AREA AND RICE DEFICIENT CENTRAL VIETNAM. VERY LOW FIGURE FOR JULY (55,000 MT) PARTLY RESULT OF ABNORMALLY SMALL JULY QUARTERMASTER AND REFUGEE DRAWS FROM GSA STOCKS. LARGER DRAWS ARE EXPECTED FOR AUGUST AND SEPTEMBER. ALSO MOVEMENTS CONTROLS ARE RESULTING IN SOMEWHAT MORE PRECISE DELTA DELIVERY FIGURES WHICH IN TURN ARE REFLECTED AS HIGHER DISAPPEARANCE FIGURES BECAUSE THESE FIGURES ARE RESIDUALS IN COMPUTATION. WE NOTE THAT SOME HOARDING AND PANIC BUYING SEEMS TO BE TAKING PLACE, AS REPORTED REFS B AND C, AND THAT SEPTEMBER DISAPPEARANCE MAY EXCEED OUR ESTIMATE.

5. AS CONCERNS CURRENT OFFERING PRICE OF VN\$12,000/100 KG, GVN IS CONVINCED THAT THIS PRICE PLUS GOVERNMENT PRESSURE ON RICE MERCHANTS WILL MOVE RICE OUT OF DELTA. AS OF NOW, THEY ARE CORRECT. MERCHANTS HAVE THUS FAR SIGNED CONTRACTS FOR 34,000 MT AS WELL AS DELIVERING FINAL INSTALLMENTS ON EARLIER CONTRACTS. LOSS MERCHANTS INCURRING IN BUYING NEW PADDY SUPPLIES OFFSET TO  
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SIGNIFICANT EXTENT BY PROFISTS REALIZED ON THAT PORTION OF COMMITMENTS

BEING MET FROM PADDY STOCKS ACQUIRED EARLIER IN YEAR. IF THEY ARE LOSING MONEY ON BALANCE, IT APPEARS TO BE WITHIN RANGE THEY CONSIDER TOLERABLE GIVEN ALTERNATIVES THEY HAVE.

6. THE REAL TEST OF THIS PRICE WILL COME IN TRYING TO DRAW ADDITIONAL RICE BEYOND THAT ALREADY COMMITTED. BARRING AN

IMPROBABLE DECLINE IN PADDY PRICES, POINT WILL BE REACHED BEYOND WHICH MERCHANTS CAN BE PUSHED NO FURTHER.

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TO SECSTATE WASHDC IMMEDIATE 7156

C O N F I D E N T I A L SECTION 2 OF 2 SAIGON 16528

UNLESS GVN PREPARED TO TRY TO EXERT PRESSURE DIRECTLY ON FARMERS, WHICH WE BELIEVE WOULD HAVE LITTLE CHANCE OF SUCCESS, IT WILL HAVE TO CONSIDER RAISING OFFERING PRICES. ONE THING GVN SEEMS DETERMINED TO DO IS TO GET MAXIMUM AMOUNT OF RICE OUT OF DELTA. IF IT BECOMES APPARENT THAT THIS CANNOT BE DONE WITHOUT RAISING OFFERING PRICE, WE BELIEVE THEY WILL FIND WAY OF DOING IT.

7. RE PRICE: AS CONCERNS INCENTIVES FOR PRODUCTION AT PRESENT LEVEL OF PADDY PRICES, ALL INVESTIGATIONS BY MISSION PERSONNEL AND USDA TDY PERSONNEL HAVE INDICATED INCENTIVE MORE THAN ADEQUATE AND THERE IS LITTLE CASE FOR ARGUING FOR HIGHER RICE PRICES ON THAT GROUND. PRICE ALSO SERVES TO RATION CONSUMPTION. POLITICALLY, RATIONING BY PRICE IN A YEAR WHEN EVERYTHING ELSE HAS GONE UP SO THAT THE COST OF LIVING STANDS 48 PERCENT ABOVE A YEAR AGO IS UNLIKELY TO PROVE ACCEPTABLE TO THE GVN. WE THINK IT WILL CONTINUE DIRECT CONTROLS AND WILL MOVE TO RATIONING IF SUPPLIES PROVE INADEQUATE.

8. VIETNAM'S RICE PRICES DO NOT APPEAR LOW IN RELATION TO THE LEVEL OF DOMESTIC RICE PRICES ELSEWHERE IN AREA.

WE UNDERSTAND CONTROLLED WHOLESALE PRICE IN  
BANGKOK FOR NO. 1, 15 PERCENT BROKENS IS 210 BAHT/100 KGS.  
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OR US\$105/MT AT 20:1 EXCHANGE RATE. GVN CURRENTLY  
SELLING US MEDIUM GRAIN FOR VN\$140 KG  
WHICH IS EQUIVALENT OF US\$275/MT. OUR LATEST INFORMA-  
TION IS THAT GKR IS SELLING US RICE AT ABOUT US\$154-  
US\$170/MT, BASED ON EXCHANGE RATE OF 325 RIELS TO US\$  
DOLLAR (SEPTEMBER 10 QUOTE HONG KONG). WE DO NOT HVE  
ANY INFORMATION ON PRICES IN INDONESIA AND THE PHILIP-  
PINES BUT DO NOT BELIEVE EXPORTS COULD OCCUR.

9. OUR INABILITY TO DELIVER 40,000 MT COMMITTED BEFORE  
END OF YEAR, NOT TO MENTION THE 30,000 ADDITIONAL WE  
ESTIMATE IS REQUIRED, WILL HAVE STRONG CONSEQUENCES.  
WE EXPECT GVN TO UNDERTAKE DIRECT RATIONING RATHER THAN  
RATIONING BY PRICE. WE WOULD NOT EXPECT DIRECT RATION-  
ING TO WORK VERY WELL BY OUR STANDARDS, WITH THE POOR  
AND THE WEAK LIKELY TO SUFFER DISPROPORTIONATELY. BUT  
IT IS POSSIBLE THAT MANY OF THEM WILL COME OUT BETTER  
UNDER DIRECT CONTROLS THAN WITH PRICE DETERMINING WHO  
GETS RICE.

10. WE WOULD NOT EXPECT RICE RIOTS, AS WE NOW READ  
POPULAR FEELING ABOUT THE GVN, BUT PUBLIC OPINION IS  
VOLATILE AND THEY ARE A DISTINCT POSSIBILITY. MOREOVER,  
IF THERE ARE SUPPLY PROBLEMS IN SOME DISTRICT TOWNS  
(AS SEEMS PROBABLE) AND THERE WERE WAREHOUSES STOCKED  
WITH RICE, WE WOULD NOT BE SURPRISED IF THERE WERE  
RIOTS AND THE WAREHOUSES LOOTED.

11. THE PRESS AND SOME POLITICIANS ARE ALREADY CAM-  
PAIGNING FOR THE HEADS OF RICE MERCHANTS AND SPECULATORS.  
WE CANNOT, THEREFORE, OVERLOOK THE POSSIBILITY OF ONE OR  
MORE SCAPEGOATS BEING FOUND AND EXECUTED AS HAPPENED IN  
1965, TO THE OBVIOUS DETRIMENT OF THE GVN.

12. OTHER SCAPEGOATS MAY BE FOUND IN THE GVN. ALREADY  
ON THE DEFENSIVE FOR SOME MONTHS NOW, THE MINISTERS OF  
FINANCE AND ECONOMY, AS WELL AS THEIR PRINCIPAL SUBORD-  
INATES, WHO HAVE ADVOCATED LIBERAL ECONOMIC MEASURES AND  
THE USE OF THE FREE MARKET, MAY WELL BE SACRIFICED.

13. THE POLITICAL PRICE WHICH THE GVN MIGHT PAY IS HARD  
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TO PREDICT, BUT WE THINK LIKELY TO BE HIGH. RICE IS A COMMODITY THAT DEFINES LIFE FOR VIETNAMESE IN A SENSE WHICH FEW WESTERNERS CAN APPRECIATE AND HENCE BECOMES THE TOUCHSTONE OF ANY VIETNAMESE REGIME. FAILURE TO PERFORM ON SOMETHING SO VITAL, NO MATTER WHAT THE REASON, IS UNLIKELY TO BE UNDERSTOOD FOR FORGIVEN. IT COULD SERIOUSLY UNDERMINE POPULAR CONFIDENCE IN THE GVN.

14. GIVEN THESE CIRCUMSTANCES, WE HAVE NOT INFORMED THE GVN OF OUR INABILITY TO DELIVER RICE. THERE IS LITTLE TIME LEFT BEFORE IT WILL BECOME PUBLIC KNOWLEDGE THAT TENDERING IS NOT PROCEEDING. ONCE THIS BECOMES GENERALLY KNOWN, THE GVN WILL HAVE TO ACT. IF THERE IS ANY ASSURANCE THAT PL 480 CAN BE MADE AVAILABLE OR IF THERE IS ANY ALTERNATIVE SOURCE OF SUPPLY, THE GVN NEEDS TO BE SO INFORMED. IF NOT, THEN WE NEED TO KNOW DEFINITELY, SO THAT THE GVN AT THE HIGHEST LEVELS CAN PROCEED TO DO WHAT IT CAN TO MINIMIZE THE DAMAGE.

APPLING

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** RICE, SUPPLIES, PL 480, AGRICULTURAL PRICES, FOREIGN EXCHANGE RATES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 17 SEP 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** boyleja  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1973SAIGON16528  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS APPLING  
**Errors:** N/A  
**Film Number:** n/a  
**From:** SAIGON  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1973/newtext/t19730930/aaaaavpq.tel  
**Line Count:** 243  
**Locator:** TEXT ON-LINE  
**Office:** ACTION AID  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 5  
**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** (A) STATE 183803  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** boyleja  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 31 JUL 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <31-Jul-2001 by kellew0>; APPROVED <14-Aug-2001 by boyleja>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** RICE PASS TO AMBASSADOR MARTIN  
**TAGS:** EAGR, VS  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005